

Level 24, 25 Bligh Street, SYDNEY NSW 2000  
PO Box H104, Australia Square, SYDNEY NSW 1215  
1300 551 132 info@qvequities.com  
General Enquiries: 1800 868 464  
[www.qvequities.com](http://www.qvequities.com) ACN: 169 154 858



5 December 2014

## A note from QV Equities' Chairman Don Stammer

Sensible diversification is a tried and true principle of good investing.

It's particularly important in times like the present, when average prices of shares and property have already moved up to fairly high levels, uncertainties in the investment outlook are intensifying, the economy is going through a soft patch and interest rates are near record lows.

QV Equities is patiently building up a selected, and carefully managed, portfolio of shares in good quality mid-sized and smaller listed companies – thereby providing investors with broader and more diversified investment opportunities that, over time, can help them achieve above-average returns with less volatility.

A handwritten signature in black ink, appearing to read 'Don Stammer', written in a cursive style.

*Don Stammer*

For further up to date information on the company and its investment philosophy, please go to  
[www.qvequities.com](http://www.qvequities.com)

# Investment Update & Net Tangible Assets Report



NOVEMBER 2014

NET TANGIBLE ASSETS (NTA)	AMOUNT
NTA before tax	\$0.9876*
NTA after tax	\$0.9869*

\*The NTA per share is as at 30 Nov 2014 and is before any provision for dividends. The before and after tax numbers relate to the provision for deferred tax on the unrealised gains in the Company's investment portfolio. The Company is a long term investor and does not intend disposing of its total portfolio. Under current Accounting standards, the Company is required to provide for tax on any gains that might arise on such a theoretical disposal, after utilisation of brought forward losses

PERFORMANCE	QVE's NTA	BENCHMARK
1 Month	+0.2%	-2.5%
Since Inception**	+1.4%	-5.3%

## MARKET OVERVIEW

\*\*Inception date: 22 Aug 2014

- The Australian equity market fell heavily during November as commodity prices fell to fresh lows. The major banks' share prices were also weak as investors remained wary ahead of the release of the Murray review. As a result, the ASX300 Accumulation Index fell -3.3% over the month.
- The move in the Australian sharemarket was in contrast to major overseas sharemarkets which all performed well. The US S&P500 rose +2.5% in November amid positive economic data while the European EuroStoxx 50 Index rose +4.4% and Japan's Nikkei soared +6.4%.
- We used weakness in the sharemarket over the month to invest in new positions in explosives manufacturer Orica, marketing services company Salmat and waste management company Tox Free –all three have been sold down to very attractive levels in our view.
- We expect Orica's earnings to benefit in the years ahead from its recently announced cost savings programme as well as from the lower \$A given that more than 50% of its revenue is earned overseas. In our view Salmat – a company with \$ 450 m in revenue and \$50m in net cash - is poised to see a significant rise in its overall profitability from 2016 onwards as its new IT systems are bedded down and become fully operational. Tox should continue to benefit from its long term waste management contracts as well as from the expected rise in infrastructure spending in the years ahead.
- We also bought Oil Search (OSH) on weakness. While the portfolio will end up with a very small weighting to the volatile resources sector, OSH looks attractive as it is now a major low cost producer with scope for significantly increasing its production and dividends in the years ahead.
- We also used share price weakness to top up our holdings in quality companies such as global diagnostic company Sonic Healthcare, Bank of Queensland and Shopping Centres Australia.
- We continue to look for investment opportunities, patiently selecting and acquiring positions in quality companies that in our view are trading at attractive valuations. We continue to aim at creating a well diversified portfolio of companies that we believe will provide growth and a regular stream of income to our investors over the longer term.

QV EQUITIES	
ASX Code	QVE
Option Code	QVEO
Listed	22 Aug 2014
Shares on issue	184.6 mil
Dividend per share	n/a

### Benchmark

S&P/ASX 300 Ex20 Accumulation Index

### Number of Stocks

20 – 50 ASX listed securities which fall outside the S&P/ASX 20 Index

### Suggested investment time frame

5+ Years

### Dividend Frequency

Half-Yearly

### Options expiry

15 March 2016

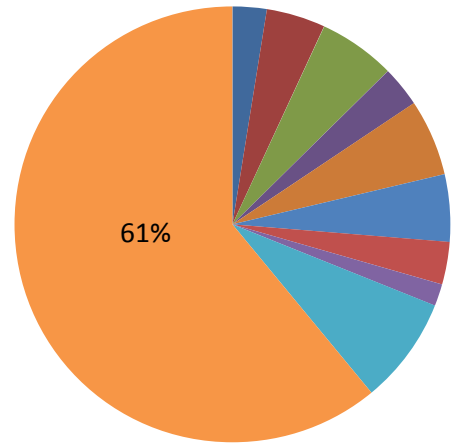
### Investment Objective

To provide a rate of return which exceeds the return of the relevant benchmark on a rolling 4 year basis



KEY EQUITY INVESTMENTS	P/E 2015	YIELD 2015
AGL Energy	14.0	5.0%
Sonic Healthcare	17.6	4.0%
Orica	12.0	5.3%
Ansell	14.6	2.4%
Salmat	35.8	4.9%
Shopping Centres Australasia	14.2	6.4%
Energy Developments	14.6	5.6%
Ruralco Holdings	12.2	5.4%
Tox Free Solutions	13.0	2.7%
Chorus Limited	7.3	N/A

## SECTOR ALLOCATION



- Energy
- Materials
- Industrials
- Consumer Discretionary
- Consumer Staple
- Health Care
- Financials
- Listed Property Trusts
- Information Technology
- Telecommunications
- Utilities
- Cash



## CONTACT US:

### Wayne McGauley

Head of Retail &  
State Manager QLD,  
Acting State Manager VIC, TAS  
[wayne.mcgaleay@iml.com.au](mailto:wayne.mcgaleay@iml.com.au)  
P: +61 2 8224 0536  
M: 0404 012 644

### Luke Mackintosh

State Manager NSW & SA  
[luke.mackintosh@iml.com.au](mailto:luke.mackintosh@iml.com.au)  
P: +61 2 8224 0506  
M: 0432 147 399

### Sam Harris

Key Account Manager NSW & ACT  
[sam.harris@iml.com.au](mailto:sam.harris@iml.com.au)  
P: +61 2 8224 0516  
M: 0429 982 159

### Justin Brooks

State Manager VIC, TAS & WA  
[Justin.brooks@iml.com.au](mailto:Justin.brooks@iml.com.au)  
P: +61 3 9935 2756  
M: 0416 194 633

## INVESTMENT ENQUIRIES

[info@qvequities.com](mailto:info@qvequities.com)

(+61) 1800 868 464

## CORPORATE ENQUIRIES

1300 552 895

### Disclaimer

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